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SUBJECT: APPOINTMENT OF FERNANDO OLIVERA AS FOREIGN
MINISTER SPARKS CABINET CRISIS

REF: LIMA 3416

1. (U) SUMMARY: President Alejandro Toledo appointed coalition ally Fernando Olivera as Foreign Minister on 8/11; Prime Minister Carlos Ferrero and Housing Minister Carlos Bruce resigned in response. Health Minister Pilar Mazzetti and Justice Minister Eduardo Salhuana reportedly boycotted Olivera's swearing-in ceremony and may follow suit. Toledo has refused to accept Ferrero's "irrevocable" resignation, and is trying to forge a rapprochement within the Cabinet and rally his Peru Posible party in support. The Cabinet crisis raises governability questions (a new Prime Minister requires congressional ratification within 30 days), creates tensions within the governing coalition and is certain to re-energize the opposition parties. END SUMMARY.

2. (U) Fernando Olivera, leader of the Independent Moralizing Front (FIM) Party, was sworn in by Toledo as Minister of Foreign Relations on 8/11. Prime Minister Ferrero and Housing Minister Bruce submitted their "irrevocable" resignations in response. The President reportedly has refused to accept Ferrero's resignation; it is unclear whether he has accepted Bruce's. Ferrero, Bruce, and Health Minister Mazzetti did not/not attend Olivera's swearing-in ceremony, and there are conflicting reports that Justice Minister Salhuana also boycotted the event.

3. (U) Toledo reportedly visited the Prime Minister's Office to lobby Ferrero personally to stay on, without success. On the afternoon of 8/11, the President called on legislators of his Peru Posible party to a meeting at the Presidency to address the crisis.

4. (U) COMMENT: Toledo's intention to name Olivera Foreign Minister has been public knowledge for weeks, sparking nearly unanimous negative reactions from the media, opposition parties, and even within his Peru Posible party. Olivera's decision to defend Cuzco Regional President Carlos Cualesma's coca ordinance, which sought to undercut the GOP's antinarcotics policy, led to open confrontation with Ferrero and Bruce and raised further doubts about the FIM leader's suitability for a ministerial post (Reftel). The President's decision to go ahead with Olivera's appointment nonetheless has now resulted in a Cabinet crisis that creates governability questions (a new Prime Minister will need to obtain congressional approval within 30 days of nomination or the Cabinet is dissolved), heightens political tensions between Peru Posible and its FIM coalition ally, and is certain to re-energize opposition attacks on the GOP. The next few days should determine whether Toledo can somehow fashion a rapprochement within the Cabinet and maintain the governing coalition. Embassy will continue to follow events closely. END COMMENT.

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